

Modules – Viewers can self select and access modules non-linearly based on where each user is in the SBTi journey

Stage	Module
Commit	1 Case for change
	2 Voluntary finance climate action ecosystem
Develop	3 Developing SBTs: Overview
	4 Developing SBTs: Scope 1, scope 2, and scope 3 operational emissions
	5 Developing SBTs: Scope 3 financed emissions – Overview
	6 Developing SBTs: Scope 3 financed emissions – Calculation deep dive and case studies
	7 Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs
Submit, Communicate, Disclose	8 Validating, disclosing, and recalculating
	9 Governance, change management, and meeting targets

Resources (1/2)

Module	Key resources
Module 1: Case for change	<ul style="list-style-type: none">• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)• GFANZ net-zero Financing Roadmaps (Nov 2021)• Bain & Company Brief – Banks’ Great Carbon Challenge (Jun 2022)• Official Journal of the European Union - Establishing the Framework for Achieving climate neutrality and amending Regulations (Jul 2021)
Module 2: Voluntary finance climate action ecosystem	<ul style="list-style-type: none">• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)• SBTi Business Ambition for 1.5C (Nov 2021)• SBTi 2021 Progress Report
Module 3: Developing SBTs: Overview	<ul style="list-style-type: none">• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)• UN Global Compact Academy Setting Science-Based Targets E-Learning• UN Global Compact Academy Net-Zero Standard E-Learning
Module 4: Developing SBTs: Scope 1, scope 2, and Scope 3 operational emissions	<ul style="list-style-type: none">• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)• SBTi Target Setting Tool 2.0 (Dec 2021)• GHG Protocol Corporate Accounting and Reporting Standard (Revised)• GHG Protocol Scope 2 Guidance (Sep 2015)• GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013)
Module 5: Developing SBTs: Scope 3 financed emissions – Overview	<ul style="list-style-type: none">• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)• GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013)• PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)

Resources (2/2)

Module	Key resources
Module 6: Developing SBTs: Scope 3 financed emissions – Calculation deep dive and case studies	<ul style="list-style-type: none">• <u>SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</u>• <u>GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</u>• <u>PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)</u>• <u>CDP & WWF Temperature Rating Methodology (Oct 2020)</u>• <u>Bain & Company Brief – Banks’ Great Carbon Challenge (Jun 2022)</u>
Module 7: Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs	<ul style="list-style-type: none">• <u>SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</u>• <u>GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</u>• <u>PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)</u>• <u>Bain & Company Brief – Banks’ Great Carbon Challenge (Jun 2022)</u>
Module 8: Validating, disclosing, and recalculating	<ul style="list-style-type: none">• <u>SBTi Target Submission Form for Financial Institutions</u>• <u>SBTi Booking System</u>• <u>SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</u>• <u>GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</u>• <u>PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)</u>• <u>GHG Protocol Scope 3 Accounting Standards (Apr 2013)</u>
Module 9: Governance, change management, and meeting targets	<ul style="list-style-type: none">• <u>GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</u>• <u>SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</u>



Module #7: Scope 3 financed emissions – Data considerations

SBTi financial institution training

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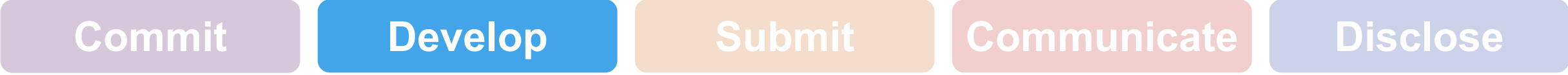
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Key learning objectives



After completing this module, individuals will be able to...

Explain data quality levels and interpret relative accuracy

Engage stakeholders to set targets despite limited data

Create an action plan to improve data quality

Module

Scope 1 & 2



Scope 1

E.g., Company facilities

Operations



Scope 2

E.g., Electricity

Operational emissions
(direct & indirect)

Scope 3



Operations (Categories 1-14)

E.g., Business travel, office supplies

Financed emissions (Category 15)

GHG emissions associated with an FI's investment, lending, or underwriting portfolios



Client/portfolio

Scope 1

Scope 2

Scope 3*

Financed emissions

Module #4: Scope 1, scope 2, and scope 3 operational emissions

Module #5: Scope 3 financed emissions – Overview

Module #6: Scope 3 financed emissions – Calculation deep dive and case studies

This module
Module #7: Scope 3 financed emissions – Data considerations & trade-offs

Note: *GHGP names that scope 3 financed emissions should be included if they are significant. Temperature Rating Approach requires submission of scope 1+2+3 target.

Sources: [GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector \(Jun 2022, pg. 13, Fig 3\)](#); [GHGP Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard \(Apr 2013, pgs. 52-54, Table 5.9 and Table 5.10\)](#); [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pgs. 86-88\)](#)

Lack of clear emissions data is a pressing problem

Fls face many data issues while setting SBTs...



Many data sources, often external and either missing or low quality



Inconsistent and unclear definitions



Technology and data systems challenges



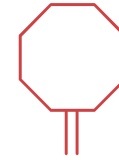
Evolving guidance and non-standardized disclosure



Current reliance on estimates and industry-level intensity data



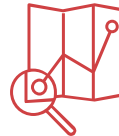
...which create short- and long-term challenges



Paralysis on setting targets



Ambiguous and changing metrics



Limited tracking and understanding







Unmanaged risk and lack of value creation



Challenges in showing progress given estimation methods

PCAF provides a framework for understanding data quality; most FIs have immature data quality across all sectors

Data Quality Score	Emission Calculation Method	Description	
 <p>Increasing quality</p>	1 Reported Emissions (e.g., tCO ₂ e)	Known, verified emissions	
	2	 Known, unverified emissions	
	3	Physical activity-based emissions (e.g., tCO ₂ e/MWh)	Estimated emissions based on energy consumption
		 Estimated emissions based on production	
	4	Economic activity-based emissions (e.g., tCO ₂ e/€M)	Estimated emissions based on revenues
 Estimated emissions based on assets (by sector)			
5	Estimated emissions based on revenues and asset turnover ratio		

In 2020-2021, **Global Financial Institutions** with investments in **Energy and Power** sectors had **data quality scores** ranging from **3.3 – 4.3**

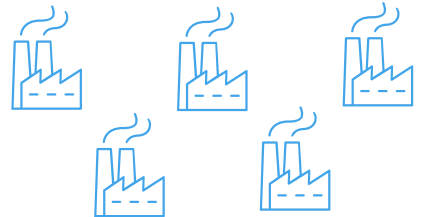
Data quality issues may decrease target accuracy in short-term

/EXAMPLE

Emissions calculated with
low quality data
(PCAF score 4-5)

Emissions calculated with
higher quality, granular data
(PCAF score 2)

Example #1

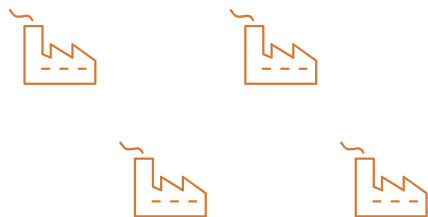


10M
tCO₂e

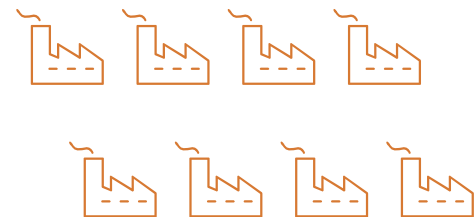


1M
tCO₂e
10% of original

Example #2



8M
tCO₂e



16M
tCO₂e
200% of original



Given data quality, initial targets will have large errors in both directions

Across financial institutions and the real economy, companies have set targets despite data nascency

Scope 1 & 2

Examples

“**La Banque Postale** commits to reduce its absolute scope 1 and 2 GHG emissions **46%** by **2030** from a **2019** base year”



Scope 3 – operational

“**Schroders plc** commits to reduce absolute scope 3 **business travel** GHG emissions **50%** by **2030** from a **2019** base year...”



Scope 3 – financed

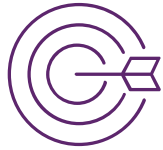
“**E.SUN FHC** commits to reduce GHG emissions from **electricity generation sector within the corporate loan portfolio** **49% per MWh** by **2030** from a **2019** base year”



Access Modules 4, 5, and 6 for more detail

Despite current data challenges, financial institutions can still catalyze change

1

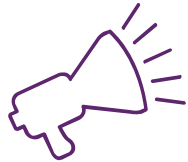


Start somewhere: focus on areas where more precise industry estimates exist

*“Data availability and methodologies are rapidly evolving and **the direction of travel is as important as accuracy**”*



2



Foster engagement: catalyze change at portfolio companies / customers

*“Measuring financed emissions is crucial to growing understanding, which **triggers internal discussions and stakeholder engagement** to identify concrete actions”*



3



Build momentum: if you make the investment in data, others are likely to follow

*“**FIs should leverage the influence they have** over companies, policymakers, and other FIs. This will ensure that the rules... are supportive of their own climate actions”*



Substantial progress can be made even in sectors currently without guidance; we will only meet 1.5°C through collective ambition

FIs must invest in processes and tools surrounding data for both their operations and for their portfolios' operations

End State

*for FIs and
their portfolios*

Processes

- **Centered** on decarbonizing
- **Embedded** throughout
- Mostly **automated**

Tools

- **Robust and actively utilized** (fit for purpose)

Data

- **Used as a core input** for decision making
- **Defined data strategy** with high quality data

Build your relationships with trusted partners

ESG rating agencies

GHG data aggregator

Carbon footprint provider

Voluntary carbon markets

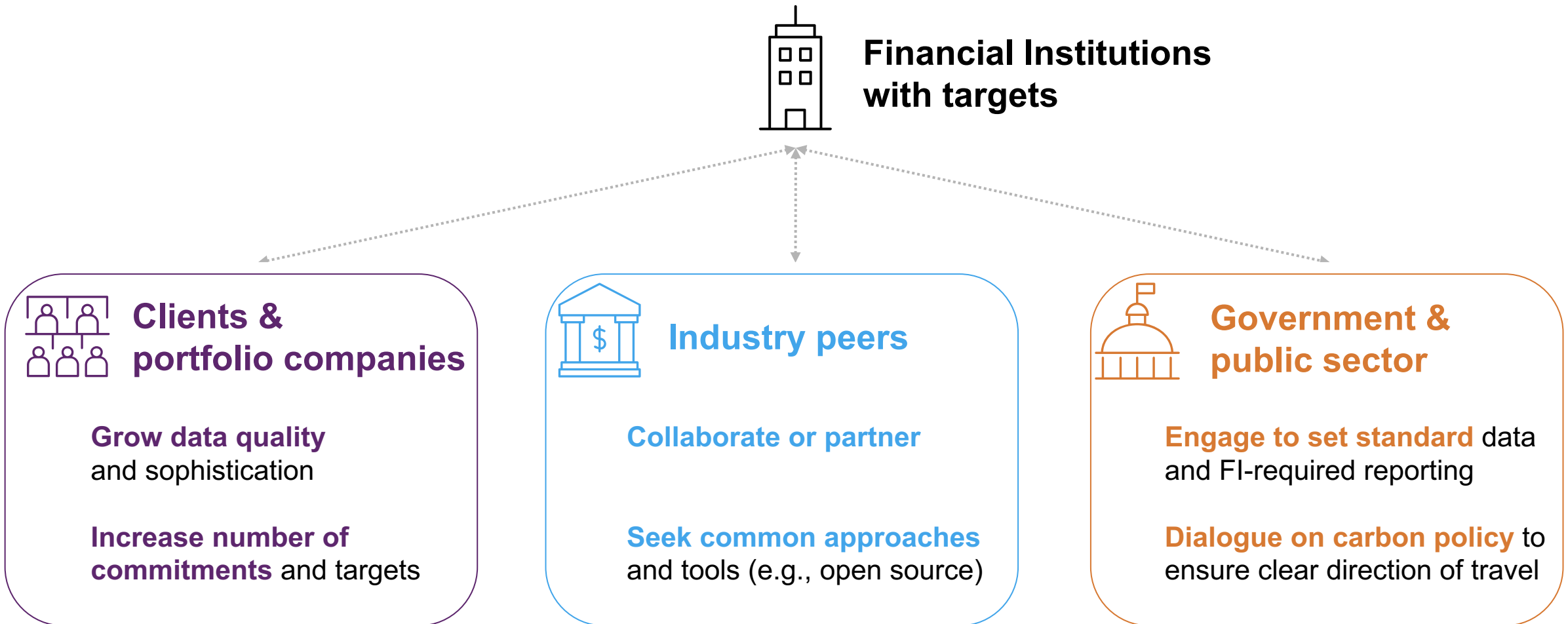
Compliance / reporting mgmt.

Climate risk management

Operational decarb. partner

NON EXHAUSTIVE

Engaging stakeholders on data increases industry-wide progress



Source: [GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector \(Jun 2022, pgs. 42-53, 91-94\)](#)

Key learnings

- **High quality emissions data is both rare and important** – it is a shared challenge for nearly all financial institutions
- **Data quality has important, quantifiable ramifications** on decarbonization targets in both positive and negative directions
- **Financial institutions need to invest in processes and tools** in order to improve data quality in both their firms and their portfolios
- Despite data challenges, financial institutions can **improve data quality over time through engagement** with the broader ecosystem



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